

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Negotiations on Agriculture

Objectives for the Agriculture Negotiations: Export Competition

Communication from the United States

Proposal:

That the *objectives* for the WTO negotiations on export competition in agriculture be:

- to completely eliminate, and prohibit in the future, all remaining export subsidies as defined in the Agreement on Agriculture;
- to clarify rules on other measures that can act to circumvent export subsidy disciplines and to create new disciplines for other practices that distort export competition, such as:
 - improving transparency in the operations of exporting state trading enterprises (STEs) and stronger disciplines on the monopoly activities of STEs, including pricing policies that support cross-subsidization and price undercutting in export markets; and,
 - terminating the use of export taxes applied in a sporadic and distortive manner on specific agricultural products.

As noted in WT/GC/W/186, Objectives and Overall Framework for the Agriculture Negotiations, WTO members should agree to present proposals on specific modalities for the negotiations on export competition beginning in January 2000 and agree that each Member will table a comprehensive schedule for export competition following agreed parameters no later than y date.

Background:

Agricultural export subsidies have significant and adverse effects on competitive trade in agricultural products and the environment. They are also the permitted measure at greatest variance with general WTO principles. To date, the majority of WTO members have met their annual export subsidy reduction commitments in terms of value and quantity, although disciplines on subsidies have encouraged some countries to devise schemes that circumvent their commitments.

Circumvention of export subsidy commitments threatens to undermine the disciplines on export subsidies. The export activities of state trading enterprises (STEs) are subject to Article 9 and 10 provisions on export subsidies, but their activities are difficult to monitor and they engage in practices that support non-commercial objectives. STEs frequently hold monopoly control over exports and, in some cases, monopsony control over domestic procurement, potentially leading to

advantages for the STE that are not available to private traders.

While some countries may use export taxes legitimately to generate government revenue, export taxes should not be used to restrict the availability of agricultural products on world markets, particularly in times of short supply. A prohibition on the use of export taxes for domestic supply management considerations would address the food security concerns of countries and contribute to a reduction in commodity price volatility.

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Negotiations on Agriculture

Objectives for the Agriculture Negotiations: Market Access

Communication from the United States of America

Proposal:

That the *objective* for the WTO negotiations on agricultural market access be to maximize improvements in market access opportunities and to make more uniform the structure of tariff bindings for all WTO members. WTO members agree that a variety of approaches will be necessary to ensure that this objective is met and agree that modalities will need to be developed to achieve:

- lower tariff rates and bind them, including, but not limited to zero/zero initiatives for agriculture;
- expanded market access opportunities for products subject to tariff rate quotas (TRQs);
- reductions in the disparity between applied and bound tariff rates;
- simplification of complex tariff regimes;
- greater certainty and transparency in the operation of tariff regimes;
- disciplines governing administration of TRQs and transparency and competition for import STEs; and,
- improved market access through a variety of means to the benefit of least developed Members by all other WTO Members.

As noted in WT/GC/W/186, Objective and Overall Framework for the Agriculture Negotiations, WTO members should agree to present proposals on specific modalities for the agricultural market access negotiations beginning in January 2000 and agree that each WTO Member will table a comprehensive offer following agreed parameters no later than y date. WTO members will task the WTO Secretariat through the Committee on Market Access and Committee on Agriculture to develop, no later than x date, data profiles and analyses to assist Members in the negotiations.

Background:

Tariffs remain excessive on too many agricultural products in too many countries. This threatens to effectively exempt agriculture from WTO disciplines despite progress made in the Uruguay Round. In some instances tariffs are applied at levels below the bound rates and may operate under tariff regimes that appear complex, non-transparent and discriminatory. The upcoming negotiations should improve and expand market access opportunities by lowering bound tariff rates to eliminate the disparities between applied and bound rates. Negotiations should ensure that the market access results provide greater certainty and transparency in the operation of tariff regimes.

Administration of TRQs has proven to be challenging for importing countries and troublesome for exporting countries. Existing rules do not always provide adequate guidance or discipline for TRQ administration. Monopoly import authorities have the ability to restrict or otherwise distort trade in several ways. This authority, and other purchasing and marketing practices, may act to raise domestic prices and impair market access opportunities for other members.

The United States supports further market access negotiations in the WTO that will complement the mandated negotiations that will be launched in services and agriculture.

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Objectives for the Agriculture Negotiations: Domestic Support

Communication from the United States

Proposal:

That the agriculture negotiations result in substantial reductions in trade-distorting support and stronger rules that ensure all production-related support is subject to discipline, while preserving criteria-based “green box” policies that can provide support to agriculture in a manner that minimizes distortions to trade.

As noted in WT/GC/W/186, Objective and Overall Framework for the Agriculture Negotiations, WTO members should agree to present proposals on specific modalities for the agricultural domestic support negotiations beginning in January 2000 and agree that each WTO Member will table a comprehensive offer following agreed parameters no later than y date.

Background:

Governments have the right to support farmers if they so choose. However, it is important that this support be provided in a manner that causes minimal distortions to production and trade.

In the Uruguay Round, it was agreed that trade-distorting support would be reduced, and upcoming negotiations on agriculture should continue the reform process. At the same time, criteria contained in Annex 2 (“green box”) have allowed members to provide appropriate and legitimate support to farmers in a manner that minimizes distortions to trade while recognizing the important role of agriculture in Member economies. The results of these negotiations should ensure that the “green box” exemption continues to support the primary objectives of minimizing the link between support and production through the use of appropriately specified policies.

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Negotiations on Agriculture

Measures Affecting Trade in Agricultural Biotechnology Products

Communication from the United States of America

Proposal:

That the *objectives* for the negotiations include addressing disciplines to ensure trade in agricultural biotechnology products is based on transparent, predictable and timely processes.

Background:

Production and trade of agricultural biotechnology products have increased dramatically in recent years as new technologies have reduced costs, increased yields, and enhanced beneficial characteristics of food and fiber products. This trend will continue as more biotechnology products with more beneficial characteristics are commercialized, and as the reduction in protection and support increases trade in agricultural products. It is critical that decision-making for these products be transparent, predictable, and timely to meet the long-run objective of a fair and market-oriented agricultural trading system as well as helping ensure sufficient agricultural production to meet the world's needs.

Extensive trade in agricultural biotechnology products is a relatively new characteristic of international trade. However, the basic issues related to this trade are already covered under the WTO framework. For example, the Agreement on Agriculture identifies the long-term objective "to provide for substantial progressive reductions in agricultural support and protection sustained over an agreed period of time, resulting in correcting and preventing restrictions and distortions in world agricultural markets" and establishes specific disciplines on non-tariff measures. More generally, the WTO agreements are predicated on reducing trade restrictions in agriculture and on ensuring all measures are transparent and do not create unnecessary or arbitrary barriers to trade. These goals are in the interests of producers (to have fair competition in the marketplace) and consumers (to ensure transparency and protection against identified hazards.)